

# Enhancing Resilience in Indonesian Firms: Integrating ERM, Organizational Ambidexterity, and Strategic Renewal Post-COVID-19

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## ABSTRACT

*The COVID-19 pandemic fundamentally disrupted global business environments and intensified uncertainty, compelling firms to rapidly adapt their strategies and capabilities to maintain resilience and competitiveness in increasingly volatile and complex markets. This study aims to investigate the mediating role of strategic renewal in the relationship between corporate governance mechanisms, enterprise risk management, organizational ambidexterity, and firm performance. Using a sample of firms in Indonesia, the proposed model was tested employing Structural Equation Modeling (SEM). Data were obtained through questionnaires distributed to respondents, with a total of 377 valid responses used for the analysis. The findings reveal that enterprise risk management, as a governance mechanism, significantly enhances firm performance directly, while organizational ambidexterity also has a significant direct effect on firm performance. Additionally, organizational ambidexterity shows a significant positive relationship with strategic renewal, which in turn significantly impacts firm performance. These results underscore the critical importance of strategic renewal in amplifying the benefits of governance-based dynamic capabilities such as enterprise risk management and organizational ambidexterity for performance gains. This study highlights the need to integrate governance and dynamic capabilities through continuous strategic renewal processes to sustain competitive advantage in rapidly changing business environments, offering valuable insights for both academics and practitioners.*

**Keywords:** *Corporate Governance, Enterprise Risk Management, Firm Performance, Organizational Ambidexterity, Strategic Renewal.*

## ABSTRAK

*Pandemi COVID-19 secara fundamental mengganggu lingkungan bisnis global dan mengintensifkan ketidakpastian, memaksa perusahaan untuk dengan cepat menyesuaikan strategi dan kemampuan mereka untuk mempertahankan ketahanan dan daya saing di pasar yang semakin fluktuatif dan kompleks. Penelitian ini bertujuan untuk mengkaji peran mediasi pembaruan strategis dalam hubungan antara mekanisme corporate governance, manajemen risiko perusahaan, ambideksiteritas organisasi, dan kinerja perusahaan. Menggunakan sampel perusahaan di Indonesia, model yang diajukan diuji dengan pendekatan Structural Equation Modeling (SEM). Data diperoleh melalui kuesioner yang disebarakan kepada responden, dengan total 377 tanggapan valid yang digunakan dalam analisis. Hasil penelitian menunjukkan bahwa manajemen risiko perusahaan, sebagai salah satu mekanisme tata kelola, berpengaruh signifikan secara langsung terhadap kinerja perusahaan, sementara ambideksiteritas organisasi juga memiliki pengaruh langsung yang signifikan. Selain itu, ambideksiteritas organisasi menunjukkan hubungan positif*

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*dengan pembaruan strategis, yang selanjutnya berdampak signifikan terhadap peningkatan kinerja perusahaan. Temuan ini menegaskan pentingnya pembaruan strategis dalam memperkuat manfaat kemampuan dinamis berbasis tata kelola seperti enterprise risk management dan organizational ambidexterity terhadap peningkatan kinerja. Penelitian ini menyoroti perlunya integrasi antara tata kelola dan kemampuan dinamis melalui proses pembaruan strategi yang berkelanjutan untuk mempertahankan keunggulan kompetitif dalam lingkungan bisnis yang terus berubah, serta memberikan kontribusi teoretis dan praktis bagi akademisi maupun praktisi.*

**Kata kunci:** *Tata Kelola Perusahaan, Manajemen Risiko Perusahaan, Kinerja Perusahaan, Ambideksteritas Organisasi, Pembaruan Strategis.*

## **INTRODUCTION**

The COVID-19 crisis has significantly transformed the global business environment, creating extraordinary uncertainty and instability (Bahri et al., 2022; Szczygielski et al., 2022). Organizations around the world have struggled to respond to sudden fluctuations in market needs, widespread supply chain breakdowns, and the rapid pace of digital transformation intensified by economic globalization and advancements in technology, which have further complicated global supply chain networks (Herbane, 2019; Suprayitno, 2025). These challenges have compelled companies to reconfigure their strategies and operational models in order to remain competitive and resilient. The urgent need for rapid adaptation, particularly given that weak application of corporate governance contributed to failures during previous financial crises, has highlighted the vital role of strong dynamic capabilities (Nair et al., 2014; Bellen et al., 2025). As firms work toward recovery and growth in the aftermath of the pandemic, the capacity to manage risk effectively and implement innovative solutions has become essential (Gupta et al., 2020). Gaining a clear understanding of these obstacles and creating effective approaches to address them are key to achieving long-term resilience and sustainability in the post-COVID-19 era (Ghazieh & Chebana, 2021). Given the heightened need for adaptability and resilience in the post-COVID-19 era, this research explores the unique interplay between Enterprise Risk Management (ERM), Organizational Ambidexterity (OA), and Strategic Renewal (SR). While existing literature has underscored the individual importance of ERM and organizational ambidexterity in enhancing firm performance (O'Reilly & Tushman, 2013; Popadiuk et al., 2018; Pagach & Wiczorek-Kosmala, 2020; Ghazieh & Chebana, 2021). This study delves into their combined effect through the lens of strategic renewal. This approach provides a fresh perspective on how firms can integrate risk management and ambidextrous strategies to adapt and thrive in volatile business environments. By examining this relationship, the research demonstrates that the synergy between ERM and organizational ambidexterity, mediated by strategic renewal, can lead to superior firm performance, particularly in the context of post-COVID-19 recovery. This comprehensive strategy not only addresses the immediate challenges posed by the pandemic but also offers a robust framework for long-term resilience and competitiveness (Schmitt et al., 2018; Kaipainen & Aarikka-Stenroos, 2022).

Considering the critical need for resilience highlighted by the pandemic and the originality of examining ERM and organizational ambidexterity together, this research framework positions strategic renewal as a vital mediator between these dynamic capabilities and firm performance. Enterprise risk management ensures effective risk management and adaptability, while organizational ambidexterity enables the balance between exploiting current capabilities and exploring new opportunities (O'Reilly & Tushman, 2013; Ghazieh & Chebana, 2021). Strategic renewal integrates these capabilities, fostering continuous transformation and revitalization of an organization's core competencies to respond to changing market conditions and seize new opportunities (Schmitt et al., 2018). This integrated approach not only helps firms navigate the immediate impacts of the COVID-19 pandemic but also builds long-term resilience and

competitive advantage. By leveraging enterprise risk management and organizational ambidexterity through strategic renewal, firms can achieve superior performance in the increasingly volatile and complex post-pandemic business environment (Hortovanyi et al., 2021; Kaipainen & Aarikka-Stenroos, 2022).

The framework that positions strategic renewal as a vital mediator between ERM, organizational ambidexterity, and firm performance, this research makes significant theoretical and practical contributions. It extends the understanding of dynamic capabilities by demonstrating how enterprise risk management and organizational ambidexterity interact to enhance firm performance through strategic renewal. This integrated approach provides a new lens to examine the synergistic effects of risk management and ambidexterity, contributing to the dynamic capabilities literature (Teece et al., 1997). The findings offer valuable insights for business leaders and policymakers, highlighting the importance of adopting a holistic strategy that incorporates enterprise risk management and organizational ambidexterity to navigate post-pandemic challenges. By focusing on strategic renewal, companies can better align their resources and capabilities with evolving market conditions, ensuring long-term resilience and competitive advantage. This comprehensive framework can guide firms in implementing effective strategies to enhance their adaptability and performance in an uncertain and rapidly changing business environment (Kaipainen & Aarikka-Stenroos, 2022).

This study investigates how enterprise risk management and organizational ambidexterity affect firm performance through the mediating role of strategic renewal. The results offer meaningful managerial insights, emphasizing the necessity of recognizing strategic renewal as the key mechanism that connects enterprise risk management and organizational ambidexterity to improved performance outcomes. Creating an organizational culture that embraces ongoing transformation and innovation enables managers to respond effectively to uncertainty and complexity in the post-COVID-19 environment. Implementing enterprise risk management allows leaders to proactively identify and control risks, strengthening decision-making and organizational resilience. At the same time, nurturing ambidexterity supports the balance between exploiting existing capabilities and exploring new opportunities, promoting both operational efficiency and innovation-led growth. To remain competitive and adaptable, managers should prioritize strategic renewal efforts that align organizational strategies with evolving market needs and technological progress. This holistic approach enhances performance and builds a durable competitive advantage, positioning firms for sustainable success amid continual change.

## **LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT**

### **Enterprise Risk Management and Organizational Ambidexterity on Performance**

Enterprise Risk Management (ERM) is conceptualized as an integrated framework for identifying, assessing, and managing risks across the organization, enabling firms to align risk considerations with strategic objectives and improve decision-making quality (Carroll, 2016; Ai et al., 2018). Through effective risk mitigation and control, ERM reduces earnings volatility, strengthens financial stability, and supports sustainable value creation (Chairani & Siregar, 2021). Organizational ambidexterity refers to a firm's ability to balance the exploitation of existing resources with the exploration of new opportunities, allowing organizations to pursue efficiency and innovation simultaneously (Raisch & Birkinshaw, 2008; O'Reilly & Tushman, 2013). When ERM provides a stable risk governance structure, ambidextrous activities can be pursued more confidently, as firms are better equipped to manage the uncertainties associated with innovation and strategic change. Thus, the interaction between ERM and OA strengthens organizational resilience and enhances performance, particularly in volatile contexts such as economic crises or rapid technological change (Ramdan et al., 2022; Oyewo, 2022).

Empirical evidence consistently supports the positive influence of ERM and organizational ambidexterity on firm performance. Studies show that firms with well-implemented ERM systems demonstrate superior financial outcomes, proactive risk

responses, and stronger long-term growth prospects (Kline & Hutchins, 2017; Florio & Leoni, 2017; Nahar et al., 2020; Suprayitno, 2025). Similarly, ambidextrous organizations tend to outperform their peers by effectively integrating innovation with operational efficiency, enabling them to adapt to changing market demands while maintaining productivity (Hwang et al., 2021; Horvey & Odei-Mensah, 2023). Although contingency perspectives highlight that the effectiveness of ERM and ambidexterity may depend on contextual factors such as leadership commitment, organizational culture, and resource allocation (He & Wong, 2004; Kim et al., 2022). Prior studies conclude that firms capable of simultaneously managing risk through ERM and balancing exploration–exploitation through ambidexterity are better positioned to achieve resilience, sustained competitiveness, and superior performance outcomes in dynamic business environments (Pagach & Wiecek-Kosmala, 2020; Dranev et al., 2020; Ceptureanu et al., 2022).

H1: Enterprise risk management has a significant positive effect on firm performance.

H2: Organizational ambidexterity has a significant positive effect on firm performance.

### **The Influence of Strategic Renewal on Firm Performance**

Strategic renewal is conceptualized as an organizational process through which firms reshape their strategic intent, structures, and capabilities in order to break from path dependence and respond effectively to environmental change (Schmitt et al., 2018). Through strategic renewal, organizations realign internal competencies and reconfigure resources to remain relevant in dynamic markets. This process is closely linked to firm performance, as continuous renewal enables companies to overcome rigidity, update competitive positioning, and sustain long-term viability. Kaipainen and Aarikka-Stenroos (2022) emphasize that firms require appropriate mechanisms and methods to manage strategic renewal effectively, as well-executed renewal initiatives strengthen adaptability and enhance performance outcomes. By deliberately transforming strategies and capabilities, firms can better address uncertainty and capitalize on emerging opportunities, thereby reinforcing competitive advantage.

The relationship between strategic renewal and firm performance has been widely supported by empirical research. Frequent strategic renewal efforts allow firms to mitigate structural constraints and reduce the negative effects of limited legitimacy, particularly in contexts where external support is weak (Shin & Pérez-Nordtvedt, 2020). Accessing and utilizing knowledge from key customers has been shown to increase the effectiveness and frequency of renewal activities, enabling firms to align strategic changes with market expectations. Studies by Kariuki et al. (2021) and Chandra et al. (2023) provide robust evidence that strategic renewal has a positive and significant impact on firm performance, as it improves organizational responsiveness and innovation capacity. Moreover, policy and strategic changes derived from renewal processes help firms overcome dependency on outdated competencies and environmental conditions, leading to stronger competitiveness and improved performance.

H3: Strategic renewal has a significant positive effect on firm performance.

### **The Influence of ERM and Organizational Ambidexterity on Strategic Renewal**

Strategic Renewal (SR) refers to the process through which firms deliberately modify strategies, structures, and capabilities to adapt to environmental change and sustain long-term competitiveness (Schmitt et al., 2018; Shin & Pérez-Nordtvedt, 2020). As positioned within dynamic capabilities theory, SR enables organizations to reconfigure resources and continuously respond to uncertainty in rapidly shifting markets. Recent studies emphasize that SR is essential for organizational resilience and survival, particularly in volatile environments where proactive transformation is required (Franco et al., 2023). Enterprise risk management has emerged as a key determinant of SR, as its structured approach to risk assessment and control enhances strategic planning and execution (Wahyuni & Novita, 2021). ERM supports SR by reducing exposure to threats and enabling firms to

seize new opportunities, thereby strengthening organizational capacity for adaptive transformation (Yun, 2023; Monazzam & Crawford, 2024). Although some studies report that ERM does not directly affect performance, evidence confirms that effective ERM implementation significantly facilitates strategic renewal initiatives (Glowka et al., 2021; González et al., 2023).

Another central determinant of strategic renewal is organizational ambidexterity, defined as the ability to balance exploration and exploitation activities (March, 1991). Firms with high ambidexterity simultaneously innovate while refining existing competencies, supporting dynamic adaptation in uncertain environments (Hughes, 2018). Empirical evidence demonstrates that OA enhances strategic renewal by enabling integrated learning and strategic reconfiguration that drive both short-term efficiency and long-term sustainability (Úbeda-García et al., 2020; Franco et al., 2023). Therefore, both ERM and organizational ambidexterity are critical drivers of strategic renewal, supporting the proposition that they significantly and positively contribute to strategic renewal.

H4: Enterprise risk management has a significant positive effect on strategic renewal.

H5: Organizational ambidexterity has a significant positive effect on strategic renewal.

### **Strategic Renewal as Mediator Variable**

The integration of strategic renewal within the framework of organizational ambidexterity plays a critical role in enhancing firm performance (Kaipainen & Aarikka-Stenroos, 2022). While ERM may not directly impact performance, its contribution through systematic risk information, communication, and analysis establishes the foundation for sound strategic decision-making (Songling et al., 2018). Organizational ambidexterity enables firms to balance exploration and exploitation, facilitating innovation alongside operational efficiency (Birkinshaw & Gibson, 2004). However, its effectiveness depends on the firm's ability to embed strategic renewal as a mediating mechanism, ensuring that innovation and operational improvements align with strategic objectives and external dynamics. Strategic renewal becomes particularly crucial under conditions of high environmental uncertainty, where insufficient risk awareness can undermine performance. By continuously adapting strategies and capabilities, strategic renewal enables firms to optimise ambidextrous activities, enhance resilience, and support dynamic capabilities that drive sustainable competitive advantage (Hwang et al., 2021). This alignment improves resource allocation and responsiveness to market change, strengthening decision-making and enabling firms to capture new opportunities for superior performance (Herbane, 2019). Accordingly, strategic renewal is hypothesized to positively mediate the relationship between ambidexterity and firm performance.

Enterprise risk management is widely recognised for strengthening performance through comprehensive risk oversight (Jurdi & AlGhnaimat, 2021). By systematically identifying, evaluating, and mitigating risks, ERM enables organisations to navigate uncertainty and maintain alignment with strategic objectives, improving decision quality and financial stability (Carroll, 2016; Florio & Leoni, 2017). Empirical studies indicate that firms with effective ERM are more capable of anticipating threats, leveraging opportunities, and enhancing resilience and competitive advantage (Pagach & Wiczorek-Kosmala, 2020). However, ERM benefits vary depending on integration quality and organizational context (Jean-Jules & Vicente, 2021). Its effectiveness is strengthened by supportive culture, leadership commitment, and environmental conditions, yet the prevailing consensus emphasizes its positive influence on performance outcomes (Lundqvist, 2014). Strategic renewal further reinforces ERM's value by ensuring ongoing adaptation of strategies, structures, and capabilities (Schmitt et al., 2018). Through this alignment, ERM becomes more proactive and strategically driven, enhancing long-term competitiveness. Therefore, strategic renewal is proposed to positively mediate the ERM–performance relationship.

H6: Strategic renewal positively mediates the effect between enterprise risk management and firm performance.  
H7: Strategic renewal positively mediates the effect between organizational ambidexterity and firm performance.

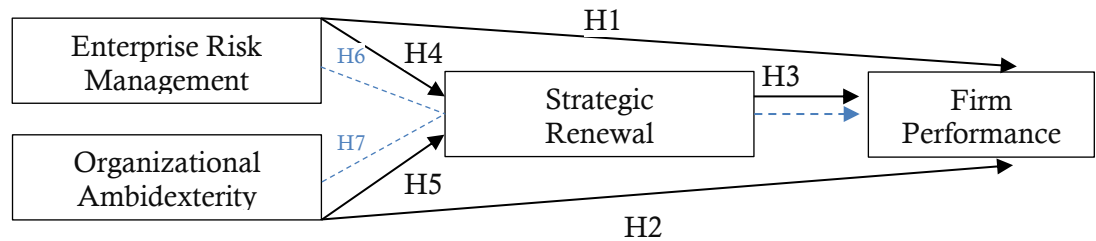


Figure 1. Conceptual Model

This research framework examines the interconnected roles of Enterprise Risk Management (ERM), Organizational Ambidexterity (OA), and Strategic Renewal (SR) in enhancing firm performance, illustrated in Figure 1. The model proposes that both ERM and OA directly improve firm performance and that SR also contributes independently to superior performance. Additionally, ERM and OA are expected to drive SR, positioning renewal as a critical mechanism through which firms adapt to environmental changes. Furthermore, the framework argues that SR mediates the relationships between ERM and firm performance, and between OA and firm performance, highlighting SR as the central pathway that transforms risk management capabilities and ambidextrous learning into tangible performance outcomes.

## RESEARCH METHODS

This research applies a quantitative approach to assess the effects of enterprise risk management and organizational ambidexterity on firm performance, with strategic renewal serving as a mediating variable. The study focuses on enterprises from diverse industries in Indonesia, given their critical contribution to the national economy and increasing need for dynamic capabilities in the post-COVID-19 era. A non-probability purposive sampling technique was used to ensure participation from firms that had adopted ERM and demonstrated ambidextrous characteristics. Data were gathered through an online questionnaire distributed to CEOs, directors, and senior-level managers. Conducted in November 2023, the survey yielded 377 valid responses, surpassing the minimum threshold recommended for reliable statistical analysis (Hair et al., 2010).

A structured questionnaire served as the primary instrument for data collection to evaluate the research hypotheses. A total of 1,000 questionnaires were distributed via email, and responses were obtained in three rounds, resulting in 207 and 170 completed surveys, culminating in 377 usable responses. All constructs were measured using a five-point Likert scale, where participants rated the extent to which each statement reflected their actual work conditions, ranging from 1 (strongly disagree) to 5 (strongly agree). To ensure content validity and clarity, the questionnaire underwent expert review and was pilot-tested with 20 Indonesian firms prior to full distribution.

ERM was measured using eight items adapted from the COSO Framework, providing a comprehensive assessment of the firms' risk management practices (Ai Ping & Muthueloo, 2015). OA was evaluated through two dimensions, exploration and exploitation, with items adapted from the study by Úbeda-García et al. (2020) This dual focus allowed for a nuanced understanding of the firms' capabilities in balancing innovation and efficiency. Strategic renewal was measured using items adapted from, capturing the extent to which firms engage in renewal activities to adapt to changing environments (Sáez-Martínez & González-Moreno, 2011). Firm performance was assessed using eight items that covered both financial and non-financial performance

metrics, with the scale adapted from Kafetzopoulos (2020). The measurement items used in the survey are listed in the Appendix.

Our model includes six reflective variables: ERM, exploration, exploitation, strategic renewal, financial performance, and non-financial performance. Two second-order constructs were established: organizational ambidexterity, comprising exploration and exploitation, and firm performance, comprising financial and non-financial performance. Construct validity and reliability were assessed using CFA in IBM SPSS AMOS 24 with the Gaskin plugin, applying CR > 0.70 and AVE > 0.50 criteria. Covariance-based SEM was used to test the hypothesized relationships among ERM, OA, SR, and firm performance, and model fit was evaluated using standard goodness-of-fit indices. Mediation was tested using 500 bootstrap samples with bias-corrected confidence intervals at the 90% level, providing robust estimates of direct and indirect effects.

## RESULTS

The statistical results of mean, standard deviations and coefficients of correlation are depicted in Table 1. This chapter analyses data collected from firms in Indonesia. The descriptive statistics show moderate to high levels of the variables, indicating that these constructs are present to varying degrees across the surveyed firms.

Table 1. Descriptive Statistics

Construct	Mean	Standard Deviation
Enterprise Risk Management (ERM)	3.545	0.940
Organizational Ambidexterity (OA)	3.620	0.983
Strategic Renewal (SR)	3.661	11.40
Firm Performance (FP)	3.500	0.848

The correlation analysis indicates that ERM has a positive correlation with FP (0.49), OA (0.33), and SR (0.47). Additionally, FP correlated positively with OA (0.37) and SR (0.61), while OA correlated positively with SR (0.55). Additional validity was confirmed using the Gaskin macro and plugin, applying validity measures through both validity analysis and HTMT (Heterotrait-Monotrait Ratio) analysis. This approach ensured that the AVE values for each construct exceeded the correlations between constructs, with HTMT values remaining below the threshold of 0.90.

Table 2. HTMT Validity Analysis

Variables	Enterprise Risk Management	Organizational Ambidexterity	Strategic Renewal	Firm Performance
Enterprise Risk Management				
Organizational Ambidexterity	0.444***			
	0.449 <sup>H</sup>			
Strategic Renewal	0.608***	0.461***		
	0.611 <sup>H</sup>	0.465 <sup>H</sup>		
Firm Performance	0.548***	0.433***	0.591***	
	0.560 <sup>H</sup>	0.438 <sup>H</sup>	0.495 <sup>H</sup>	

Note: <sup>H</sup>= Heterotrait-monotrait (HTMT) values, \*\*\*p < 0.001

To evaluate validity and reliability, Table 3 presents the results for the exogenous constructs. All indicator loadings ( $\lambda$ ) exceed 0.70, indicating strong indicator reliability, while the Average Variance Extracted (AVE) values are above 0.50, confirming convergent validity. Composite Reliability (CR) values are higher than 0.70, and Cronbach's Alpha (CA) for all variables also surpasses 0.70, demonstrating solid internal consistency. Collectively, these results confirm that the measurement model meets the required standards of reliability and validity, ensuring accurate and consistent representation of the constructs.

**Table 3.** Summary of Validity and Reliability Test Results for Exogenous Constructs

Variables & Indicators	Indicator	Item	$\lambda$	e	AVE	CR	CA
Enterprise Risk Management		EM1	0.725	0.353	0.715	0.952	0.817
		EM2	0.742	0.314			
		EM3	0.845	0.242			
		EM4	0.845	0.230			
		EM5	0.846	0.252			
		EM6	0.851	0.232			
		EM7	0.853	0.240			
		EM8	0.816	0.265			
Organizational Ambidexterity	Exploitation	ET1	0.856	0.260	0.771	0.931	0.828
		ET2	0.897	0.206			
		ET3	0.895	0.194			
		ET4	0.868	0.256			
	Exploration	ER1	0.816	0.308	0.738	0.919	
		ER2	0.850	0.289			
		ER3	0.884	0.194			
		ER4	0.859	0.239			
Strategic Renewal		SR1	0.886	0.289	0.765	0.929	0.899
		SR2	0.901	0.252			
		SR3	0.916	0.214			
		SR4	0.894	0.237			
Firm Performance	Financial Performance	FP1	0.802	0.258	0.741	0.935	0.825
		FP2	0.817	0.229			
		FP3	0.842	0.213			
		FP4	0.818	0.233			
		FP5	0.822	0.240			
	Non-Financial Performance	NP1	0.826	0.240	0.779	0.914	
		NP2	0.856	0.192			
		NP3	0.871	0.184			

Additionally, to test for normality, an assessment of normality was conducted by examining the Critical Ratio (CR) values for all indicators. Analysis could proceed as long as all indicators had CR kurtosis values within the range of  $-2.58 < z < 2.58$ . The results of this study showed that the CR values were within this specified range. To establish the psychometric properties of the model, 25 items were used for Confirmatory Factor Analysis (CFA). The CFA results confirmed the structure and unidimensionality of the latent factors revealed by Exploratory Factor Analysis (EFA). The fit indices for the measurement model indicate a good fit to the data, as shown in Table 3.

**Table 4.** The Fit Indices and Measurement Structural Model

Fit indices	Test	DV: Strategic Renewal <sup>1</sup>	DV: Firm Performance <sup>2</sup>	Levels of acceptance*
Absolute fit indices	Chi-square ( $\chi^2$ )	416.431	691.465	$0 \leq \chi^2 \leq 2df$
	Degrees of freedom (df)	166	342	
	Root means square residual (RMR)	0.039	0.036	<0.08
	Root mean square of approx. (RMSEA)	0.060	0.052	<0.08
Incremental fit indices	Incremental Fit Index (IFI)	0.963	0.963	>0.90
	Tucker-Lewis's coefficient (TLI)	0.958	0.959	>0.90
	Comparative Fit Index (CFI)	0.963	0.963	>0.90
Parsimonious fit indices	Chi-square/degrees of freedom ( $\chi^2/df$ )	2.509	2.022	<3.0
	Parsimonious Normed Fit Index (PNFI)	0.821	0.841	>0.50
	Goodness of Fit Index (GFI)	0.898	0.881	>0.50

The model fit was then evaluated, and all models achieved acceptable levels across the established fit indices, as presented in Table 4. Several model specifications were tested, beginning with the full model that included all exogenous and endogenous variables, followed by models applying different dependent variables, including strategic renewal. The chi-square to degrees of freedom ratios ( $\chi^2/df$ ) were below 3.0, indicating a satisfactory fit. The RMR and RMSEA values were under 0.08, supporting good absolute fit. Incremental fit indices (IFI, TLI, and CFI) exceeded 0.90, confirming strong comparative fit, while parsimonious fit indices such as PNFI and GFI met acceptable thresholds above 0.50. Taken together, the results verify that the measurement and structural models demonstrate strong reliability, validity, and overall model adequacy.

Figure 2 displays the estimated standardized parameters for the causal paths and the squared multiple correlations for the endogenous variables. The overall fit of the structural model for the total sample is summarized in Table 3, demonstrating an acceptable fit for the proposed model, as per the guidelines by Hair et al. (2010).

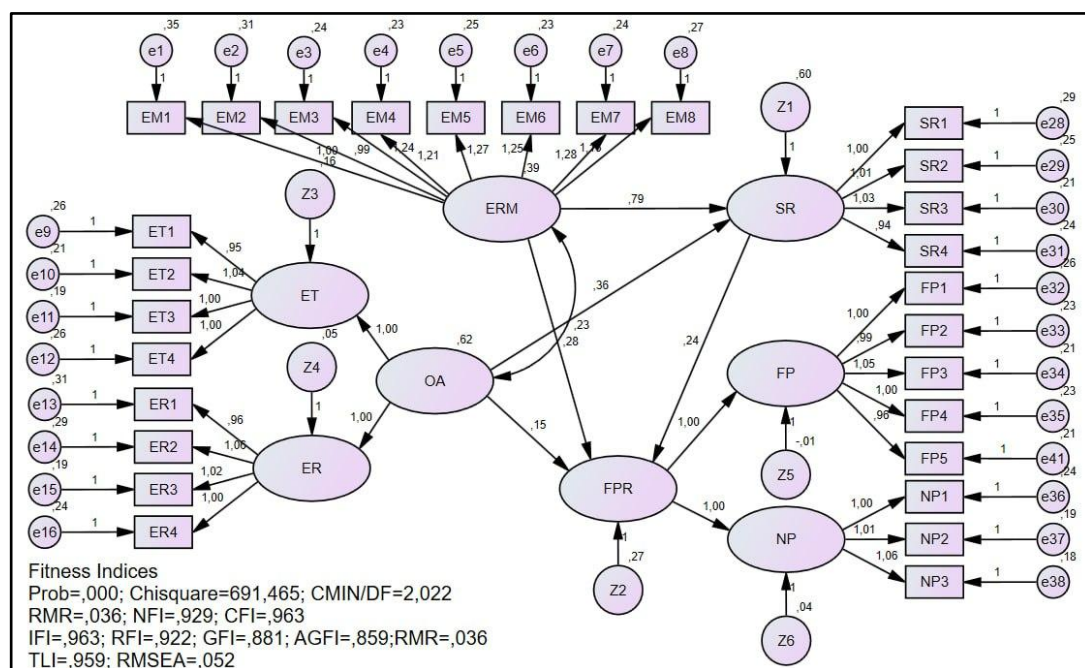


Figure 2. Full Regression Model

Table 5. The Regression Analysis

Path	Dependent Variable			
	Strategic Renewal		Firm Performance	
	B	P-Value	B	P-Value
ERM	0.790***	p < 0.01	0.280***	p < 0.01
Organizational Ambidexterity	0.362***	p < 0.01	0.148***	p < 0.01
Strategic Renewal			0.237***	p < 0.01
R <sup>2</sup>	0.429		0.427	

The results in Table 5 indicate that the standardized regression weight for the relationship between ERM and firm performance is very high and statistically significant ( $\beta = 0.280$ ,  $p < 0.001$ ), explaining a substantial variance in firm performance. This suggests that effective ERM practices significantly enhance firm performance. There is a significant effect of OA on firm performance ( $\beta = 0.148$ ,  $p < 0.001$ ). Additionally, when SR is tested as a dependent variable, the results show a significant positive relationship between OA and SR ( $\beta = 0.362$ ,  $p < 0.001$ ). ERM also shows a significant positive impact on SR ( $\beta = 0.790$ ,  $p < 0.001$ ). SR itself shows a significant positive effect on firm

performance ( $\beta = 0.237, p < 0.001$ ), suggesting that the benefits of OA are mediated through SR.

This study demonstrates that Enterprise Risk Management (ERM) significantly improves both financial and non-financial firm performance by strengthening dynamic capabilities and enhancing organizational resilience. While prior research has largely relied on financial indicators such as cumulative abnormal returns and Tobin's Q, the findings expand this scope by showing that higher ERM maturity correlates with improved overall performance. ERM equips firms with the ability to anticipate and mitigate risks, maintain operational continuity, and sustain competitive advantage (Lechner & Gatzert, 2018; Saeidi et al., 2021). Empirical evidence supports this positive influence, with Florio and Leoni (2017) confirming that firms with more mature ERM achieve superior stock performance, although Glowka et al. (2021) caution that the benefits are contingent on effective implementation rather than mere formal adoption (González et al., 2023). Using the COSO framework, this study offers a comprehensive evaluation of ERM's effects across strategic, operational, reporting, and compliance dimensions, providing stronger insight than simpler proxies like CRO presence or S&P ratings (Songling et al., 2018; Sax & Andersen, 2019).

In addition to performance outcomes, ERM is also shown to significantly enhance strategic renewal by providing a structured approach to identifying risks and opportunities and supporting transformational decision-making (Wahyuni & Novita, 2021; Yun, 2023). The findings indicate a strong positive relationship between ERM and strategic renewal, reinforcing its importance in navigating turbulent environments and enabling firms to adapt proactively (Edgeman, 2015; Monazzam & Crawford, 2024). This highlights ERM as a key mechanism through which organizations achieve long-term resilience and strategic agility.

The study also finds that organizational ambidexterity, the balance between exploration and exploitation, is essential for optimizing firm performance (Raisch & Birkinshaw, 2008). Ambidextrous firms are better positioned to innovate while maintaining efficiency, resulting in improved performance and adaptability (Popadiuk et al., 2018; Kafetzopoulos, 2020). Testing shows that ambidexterity exerts a significant positive effect on strategic renewal, supporting the dynamic capabilities view that simultaneous learning and innovation strengthen competitive advantage (Franco et al., 2023; Úbeda-García et al., 2020). These findings underscore the importance of leadership and organizational structure in enabling firms to balance exploration and exploitation, thereby enhancing long-term organizational sustainability (He & Wong, 2004; O'Reilly & Tushman, 2013).

Table 6. Mediation Analysis

Mediator	Independent Variable	Index	Boot SE	P	Boot 95% CI	
					Lower Bounds (BC)	Upper Bounds (BC)
Strategic	ERM	0.169	0.039	0.002***	0.108	0.236
Renewal	OA	0.098	0.024	0.003***	0.062	0.143

To evaluate the mediating role of SR in the relationship between ERM, OA, and firm performance, mediation testing was conducted using the bootstrap technique (Byrne, 2016). The mediation analysis results in Table 6 reveal that SR significantly mediates the relationship between both ERM and OA with firm performance. The standardised indirect effect of ERM on firm performance through SR is statistically significant ( $p < 0.01$ ) with a bias-corrected Confidence Interval (BC) of 0.108 to 0.236, confirming full mediation. Similarly, OA's indirect effect on firm performance through SR is also significant ( $p < 0.01$ ) with a BC confidence interval ranging from 0.062 to 0.143. This suggests partial mediation, as OA still has some direct effect on firm performance even though SR significantly mediates this relationship. These findings highlight the

importance of SR in enhancing firm performance through ERM and OA, suggesting that SR plays a crucial role as a mediator in this context.

The findings demonstrate that Strategic Renewal (SR) plays a crucial mediating role in linking ERM and Organizational Ambidexterity (OA) to firm performance. SR significantly strengthens the indirect effect of ERM on performance ( $\beta = 0.002$ ,  $p < 0.01$ ), indicating that risk management initiatives yield optimal results only when accompanied by continuous transformation and strategic adaptation (Bailey, 2022; Schmitt et al., 2018). ERM alone can navigate uncertainties and assess risks (Glowka et al., 2021; Oyewo, 2022). However, without SR, its impact on performance remains limited. Likewise, OA directly enhances firm performance ( $\beta = 0.003$ ,  $p < 0.01$ ) by balancing innovation-oriented exploration with efficiency-oriented exploitation, enabling firms to remain agile and competitive (Úbeda-García et al., 2020; Kassotaki, 2022). This confirms that ambidextrous organizations effectively seize opportunities and optimise resources, while SR acts as a reinforcing mechanism that accelerates performance gains by translating risk insights and innovation efforts into concrete strategic actions.

## **DISCUSSION**

The findings of this study highlight the critical role of Enterprise Risk Management (ERM) in improving firm performance, confirming Hypothesis 1 and reinforcing the importance of robust risk management systems for strengthening organizational resilience in the post-COVID-19 period (Pagach & Wieczorek-Kosmala, 2020; Al-Nimer et al., 2021; Jurdi & AlGhnaimat, 2021; Sanda & Omoro, 2021). ERM demonstrates a significant positive effect on both financial and non-financial performance ( $\beta = 0.280$ ,  $p < 0.01$ ), supporting arguments that comprehensive ERM enhances competitiveness by addressing uncertainty and enabling firms to sustain operational efficiency and growth (Lechner & Gatzert, 2018; Saeidi et al., 2021). This study expands previous research that predominantly assessed performance through financial market indicators such as cumulative abnormal returns and Tobin's Q, by incorporating non-financial dimensions to capture a more holistic performance benchmark in alignment with dynamic capabilities theory (Teece et al., 1997; Bolton et al., 2024). Empirical evidence similarly confirms the value of Enterprise Risk Management, with Florio and Leoni (2017) showing a link between ERM maturity and excess stock returns, while Glowka et al. (2021) observed no direct effect but positive associations with conventional risk practices. González et al. (2023) additionally emphasized that implementation quality, rather than ERM information exposure, drives performance outcomes.

The use of the COSO framework in this study strengthens measurement validity by incorporating strategic, operational, reporting, and compliance dimensions. Compared to proxies such as the presence of a Chief Risk Officer or S&P risk ratings, which provide limited insight and sector-restricted applicability (Sax & Andersen, 2019). The COSO approach offers a more systematic assessment of enterprise risk management effectiveness, demonstrating its value in capturing ERM's broader strategic contribution (Songling et al., 2018).

Organizational Ambidexterity (OA) directly enhances firm performance ( $\beta = 0.148$ ,  $p < 0.01$ ). Balancing exploration and exploitation generate complementary outcomes that strengthen innovation, adaptability, and operational efficiency, producing superior performance (March, 1991; Dranev et al., 2020; Hwang et al., 2021; Kassotaki, 2022; Mi et al., 2024). Contextual ambidexterity enables employees to integrate experimentation with process optimisation, improving environmental responsiveness and innovation diffusion (Simon & Tellier, 2011; Birkinshaw & Gibson, 2004). This supports prior findings that organizational ambidexterity facilitates competitive advantage and long-term sustainability (Ojha et al., 2018; Ceptureanu et al., 2022). Within resource-constrained environments such as Indonesian SMEs, adopting ambidexterity is crucial for strengthening market competitiveness and adaptive capacity (Kumalaningrum et al., 2023).

The results further demonstrate that enterprise risk management significantly enhances Strategic Renewal (SR), contributing to firms' ability to adapt to environmental turbulence and redesign strategies effectively ( $\beta = 0.790$ ,  $p < 0.01$ ). Enterprise risk management supports strategic decision-making by reducing uncertainty and enabling opportunity optimisation, which improves transformation success and strategic resilience (Edgeman, 2015; Glowka et al., 2021; Wahyuni & Novita, 2021; Yun, 2023; González et al., 2023; Monazzam & Crawford, 2024). Organizational ambidexterity also shows a significant effect on SR ( $\beta = 0.362$ ,  $p < 0.01$ ), indicating that firms balancing exploitation and exploration achieve stronger renewal outcomes, which aligns with dynamic capabilities theory emphasizing simultaneous innovation and efficiency for sustainable adaptability (Hughes, 2018; Franco et al., 2023). Research consistently supports that ambidextrous firms sustain performance through continuous transformation (Úbeda-García et al., 2020).

The mediation results show that strategic renewal significantly influences firm performance ( $\beta = 0.237$ ,  $p < 0.01$ ), confirming its mediating role between organizational ambidexterity and firm performance. Strategic renewal acts as a mechanism that converts ambidextrous internal capabilities into measurable performance outcomes, consistent with the dynamic capabilities framework that stresses continual resource reconfiguration for maintaining competitiveness (Teece et al., 1997). Firms that align innovation initiatives with operational efficiency through SR achieve more sustainable performance benefits (Nair et al., 2014; Schmitt et al., 2018; Shin & Pérez-Nordtvedt, 2020; Ramdan et al., 2022; Ceptureanu et al., 2022). Thus, SR strengthens the indirect pathway from organizational ambidexterity to performance, enabling the conversion of dual learning processes into strategic outcomes.

The findings additionally indicate that strategic renewal mediates the relationship between enterprise risk management and firm performance, reinforcing arguments that proactive risk management is only fully effective when integrated with strategic transformation processes (Bailey, 2022). Aligning enterprise risk management with strategic renewal enhances strategic responsiveness and improves the translation of risk insights into actionable decisions (Chandra et al., 2023). This integrated approach advances organizational resilience, strengthens resource allocation quality, and supports sustained competitive advantage. Accordingly, strategic renewal plays a vital bridging role between enterprise risk management practices and performance outcomes.

From a managerial perspective, the results highlight the need for systematic implementation of enterprise risk management frameworks to improve decision-making, strengthen resilience, and enhance financial and non-financial performance (Florio & Leoni, 2017). Managers should embed enterprise risk management in corporate strategy rather than treating it as a compliance function. The evidence supporting the direct effect of organizational ambidexterity implies that organizations must develop structures and cultures that encourage innovation alongside efficiency (Hwang et al., 2021; Ceptureanu et al., 2022; Ramdan et al., 2022). Encouraging contextual ambidexterity through leadership support, cross-functional learning, and targeted capability development is essential (Birkinshaw & Gibson, 2004). Given the mediating role of SR, managers must continuously update strategies and align renewal initiatives with market shifts to maximize the value generated by enterprise risk management and organizational ambidexterity (Schmitt et al., 2018). A culture of continuous improvement and dynamic capability deployment enhances adaptability and long-term competitiveness (Teece, 1997; Shin & Pérez-Nordtvedt, 2020).

## **CONCLUSION**

This research reinforces the essential contribution of enterprise risk management to improving firm performance, especially in the post-pandemic environment, demonstrating its strong direct influence. Organizational ambidexterity likewise shows a substantial direct effect on performance, highlighting the value of balancing exploration and exploitation to drive organizational outcomes. The significant link between

organizational ambidexterity and strategic renewal further illustrates the key mediating role of strategic renewal in strengthening the impact of ambidexterity on performance, as SR enables the conversion of dual learning capabilities into tangible performance gains. Collectively, these results stress the importance of integrating robust risk management with continuous strategic renewal to secure long-term competitive advantage.

This study acknowledges several limitations. First, the sample size restricts the extent to which the findings can be generalized. Although enterprise risk management and organizational ambidexterity were examined across a range of firms, including a larger and more diverse sample from multiple industries and regions, this approach would yield broader insights. Future studies should therefore expand the sample scope to improve generalizability. Second, the research employed strategic renewal as the only mediating variable between organizational ambidexterity and firm performance. Other potential mediators, such as organizational culture, leadership style, or technological capability, may also play meaningful roles in shaping these relationships. Further research is encouraged to investigate additional mediators that could deepen understanding of how the strong direct effect of organizational ambidexterity on performance can be enhanced. Finally, data analysis was conducted using Covariance-Based Structural Equation Modeling (CB-SEM). Although suitable for theory testing, comparing results with alternative approaches such as Partial Least Squares Structural Equation Modeling (PLS-SEM) could offer more robust validation and strengthen analytical rigor. Future research should consider employing multiple methods to reinforce the reliability of the findings.

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